Utkarsh Small Finance Bank

August 07, 2026

BSE Limited
Scrip Code: 543942, 975790, 959644, 976203

National Stock Exchange of India Limited
Symbol: UTKARSHBNK

Dear Sir/Madam,

Sub: Transcript of earnings conference call with the investors and analysts held on August 03, 2026 - Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Earnings conference call with Investors and Analysts on August 03, 2026

We submit herewith the transcript of the Earnings / Conference call held on Monday, August 03, 2026 at 04:00 p.m. (IST) in connection with the Unaudited Financial Results for the quarter ended June 30, 2026.

This disclosure is also available on the Bank's website i.e. www.utkarsh.bank.in.

This is for your information and records.

Yours faithfully,
For **Utkarsh Small Finance Bank Limited**

Muthiah Ganapathy
Digitally signed by Muthiah Ganapathy
Date: 2026.08.07 16:04:38 +05'30'

Muthiah Ganapathy
Company Secretary & Compliance Officer

Encl.: As above

Registered & Corporate Office
Utkarsh Tower, NH-31 (Airport Road) Sehmalpur, Kazi Sarai, Harhua, Varanasi, Uttar Pradesh - 221105.
CIN: L65992UP2016PLC082804 | 0542-6605555 | www.utkarsh.bank.in

“Utkarsh Small Finance Bank Limited

Q1 FY27 Earnings Conference Call”

August 03, 2026

MANAGEMENT: **MR. GOVIND SINGH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – UTKARSH SMALL FINANCE BANK LIMITED**
MR. SARJUKUMAR PRAVIN SIMARIA – EXECUTIVE DIRECTOR – UTKARSH SMALL FINANCE BANK LIMITED
MR. AMIT ACHARYA – CHIEF RISK OFFICER – UTKARSH SMALL FINANCE BANK LIMITED
MR. VIRENDER SHARMA– HEAD – MICRO BANKING – UTKARSH SMALL FINANCE BANK LIMITED
MR. SOURABH GHOSH – HEAD – CONSUMER BANKING – UTKARSH SMALL FINANCE BANK LIMITED
MR. ABHAY KATARIA – HEAD ASSETS – UTKARSH SMALL FINANCE BANK LIMITED

MODERATOR: **MR. RENISH BHUVA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Utkarsh SFB Limited Q1 FY27 Earnings Conference Call hosted by ICICI Securities Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star than zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Renish Bhuva from ICICI Securities Limited. Thank you, and over to you, sir.

Renish Bhuva: Yes. Thank you, Manoj. Hi, good evening, everyone, and welcome to Utkarsh Small Finance Bank Q1 FY27 Earnings Call. On behalf of ICICI Securities, I would like to thank Utkarsh SFB management team for giving us the opportunity to host this call.

Today, we have with us management team of Utkarsh SFB represented by Mr. Govind Singh, Managing Director and CEO; Mr. Sarjukumar, Executive Director; Mr. Amit Acharya, Chief Risk Officer; Mr. Virender Sharma, Head of Micro Banking; Mr. Sourabh Ghosh, Head of Consumer Banking; and Mr. Abhay Kataria, Head of Assets. I will now hand over the call to Govind ji for his opening remarks, and then we'll open the floor for Q&A. Over to you, sir.

Govind Singh: Yes. Thank you, Renish. Thanks a lot. Good evening, everyone, and thank you for joining us for our quarter 1 FY27 earnings call. The first quarter of FY27 marks an important point in our journey. Over the last several quarters, our bank has navigated one of the most challenging operating environments faced by the microfinance industry in recent years. Throughout this period, our focus remained firmly on protecting franchise quality, preserving balance sheet strength, improving collections and ensuring that every strategic decision was aligned with the long-term interests of our customers, shareholders and other stakeholders.

We are encouraged by the progress achieved across multiple dimensions of our business during the quarter. The actions undertaken over recent quarters are beginning to translate into measurable improvements in business momentum, asset quality indicators, portfolio composition, funding costs and operating performance. While profitability has not yet fully normalized, the significant reduction in losses and the strengthening of underlying business drivers reinforce our confidence that the bank is moving in the right direction.

Over the last year, our objective has been clear: to build a stronger and more balanced institution by improving the quality of new businesses, strengthening risk management practices, diversifying revenue streams, expanding secured lending, enhancing collection infrastructure, deepening customer engagement and improving the granularity and quality of our liabilities franchise. These efforts are now providing the foundation for a more sustainable growth cycle.

One of the most encouraging developments during the quarter has been the strengthening of businesses across both our JLG and non-JLG segments. Disbursement trends have improved significantly, reflecting both increased customer demand and our confidence in calibrated growth. During quarter 1 FY27, total disbursements grew by 49% year-on-year, supported by JLG disbursements, which grew by 5% year-on-year and non-JLG disbursements, which registered a robust growth of 93% year-on-year. Importantly, this growth has been built on strengthened underwriting frameworks and improved portfolio monitoring mechanisms. Our objective remains to grow assets of the right quality and risk profile rather than pursuing growth for its own sake. Consequently, equally encouraging are the trends visible in portfolio performance.

The improvement in business momentum has been accompanied by continued strengthening in asset quality. During the quarter, X-bucket collection efficiency in the JLG segment remained strong at 99.7%, up from 98.6% in quarter 1 of FY26. SMA pools within the Micro Banking segment contracted to 1.2% from 1.3% in March '26 and 5.1% in June '25, reflecting strong field execution, enhanced collection processes.

Alongside this, the total fresh NPA slippages (net of recoveries and upgradations) reduced materially to ~INR125 crores, compared with ~INR170 crores in the previous quarter and ~INR400 crores in the corresponding quarter of the previous year. As a result, the GNPA ratio as a percentage of gross loan portfolio stood at 5.9% as of June 2026, representing an improvement of ~550 basis points year-on-year and ~160 basis points quarter-on-quarter. These trends demonstrate that measures implemented over the recent quarters are producing tangible outcomes.

As we assess the future shape of the bank, diversification continues to remain a central strategic priority. Over the years, we have consciously worked towards reducing concentration risks and building multiple growth avenues. Our JLG portfolio now represents 26% of the gross loan book (and 28%, including BC JLG exposure), compared to 88% in March 2020 (and 90% including BC JLG exposure). Simultaneously, secured lending has increased to 51% of the gross loan book from 45% a year ago. This structural transformation is changing the nature of our balance sheet, reducing margins volatility and supporting a more resilient risk profile.

Within Micro Banking, the growth of our Micro Banking Business Loan product continues to validate our customer life cycle strategy. MBBL serves customers who have demonstrated repayment discipline and are ready to graduate beyond traditional group lending structures. Further, we have expanded the product to cater to new-to-bank customers as well. MBBL portfolio grew by 147% year-on-year and 11% sequentially during the quarter and now constitutes more than 30% of the Micro Banking portfolio. With penetration still below 20% of our customer base, there remains substantial room for further expansion. We believe this segment presents an attractive opportunity to deepen customer relationships while supporting business growth among our borrowers.

Beyond Micro Banking, growth momentum across secured and diversified asset classes remained healthy. Our MSME portfolio expanded by 12% year-on-year to INR4,482 crores – supported by the Micro LAP segment, which is delivering disbursement yield of around 18%.

Housing loan grew by 8% year-on-year to INR1,005 crores, while our BBG, the business banking portfolio recorded strong growth of 40% year-on-year. In Commercial Vehicles and Construction Equipment segment, we have continued refining portfolio composition with greater focus on assets demonstrating stronger risk profile. The share of used vehicle in disbursement is around 30%, reflecting our emphasis on balancing growth with prudent risk management. Gold loan penetration is also expanding through a digital LOS aimed at improving turnaround time, controls and operational efficiency. Collectively, these trends highlight the emergence of a broader and more diversified lending franchise capable of contributing to long-term profitability and stability.

Over the last several quarters, we have remained focused on strengthening our liabilities franchise, increasing granularity, enhancing customer engagement and reducing dependence on bulk deposits. Total deposits grew by 3% year-on-year, supported by CASA deposits, which grew by 15% year-on-year, while retail term deposits also increased by 15% year-on-year. Consequently, CASA plus retail term deposit ratio improved to 83% compared to 74% a year ago and the CASA ratio strengthened to 22% as on June 2026.

The benefits of the improving deposit mix are also reflecting in funding costs. Following RBI repo rate cuts, we have phased reductions in interest rates on savings and term deposits to remain competitive while optimizing cost of funds. As a result, cost of funds declined by around 40 basis points year-on-year and around 15 basis points quarter-on-quarter to 7.7% in quarter 1 FY27. We expect the full impact of repricing actions to unfold progressively over the coming quarters, providing further support to margin stability.

From an earnings perspective, quarter 1 FY27 reflects a business that is steadily approaching normalization. We reported a net loss of INR34 crores. This represents a reduction of more than 80%, both on a year-on-year basis as well as sequential basis.

As stated earlier also, to further derisk incremental flows, we registered under CGFMU credit guarantee scheme for eligible JLG and MBBL disbursements with effect from January 17, 2025. ~60% of our microfinance book relating to disbursements up to quarter 4 of FY26 is already covered under CGFMU, increasing to around 80% upon including quarter 1 FY27 disbursements. This coverage materially reduces the risk associated with new disbursements and supports portfolio stability as we continue to scale higher quality, secured lending products. During the quarter, the CGFMU scheme provided mitigation of around INR75 crores in terms of P&L impact, contributing to the reduction in the credit cost to 2.3%, compared with 5.3% in quarter 4 FY26 and 8.5% in quarter 1 FY26.

Importantly, the key drivers of future profitability – asset quality, credit costs, business growth, cost of fund and portfolio mix – have all moved in a favorable direction.

While pursuing growth opportunities, we have remained committed to maintaining a strong liquidity and capital position. As of June 2026, the bank maintained surplus liquidity of around INR3,200 crores and LCR of 216%, the CD ratio stood at 83.8% and our capital adequacy remained at 17.4%, well above the regulatory thresholds, providing sufficient capacity to support growth plans and absorb potential uncertainties in the operating environment. The bank is planning to raise around INR500 crores through NCDs in the current year to accelerate growth initiatives and reinforce its capital adequacy.

Also, we have taken a strategic decision aimed at accelerating balance sheet cleanup through the ARC sale of stressed JLG and wheels portfolio and ensuring that we remain focused on future growth opportunities rather than legacy stress. We believe such actions improve transparency, strengthen the franchise and create a cleaner platform for long-term value creation.

On the proposed scheme of amalgamation of holding company (UCL) with and into the bank, the NCLT, at its hearing on July 23, 2026, took note of the responses received from the relevant authorities and wherever the replies were pending, granted another 10 days to file the same and hence, fixed the matter for next hearing on August 6, 2026. The reverse merger is expected to complete in the next few months, subject to NCLT proceedings.

Operational excellence continues to remain a core area of focus. We have strengthened our collections infrastructure, operationalized a specialized call center for overdue accounts, enhanced monitoring processes and training programs for new frontline staff emphasized core processes such as center meetings and customer onboarding, ensuring consistent execution across the field. Our collections workforce supporting JLG and MBBL businesses exceeds 1,200 personnel. We have also improved branch level oversight and strengthened customer engagement mechanisms. These operational enhancements have contributed meaningfully to the improvements seen across collections, SMA trends, recoveries and overall portfolio quality.

Technology continues to play an increasingly critical role in our transformation journey. Through the Utkarsh 2.0 technology transformation project, we are embedding greater automation, data-driven decision-making, monitoring capabilities and process efficiency across the organization. Enhanced digital underwriting tools are helping us identify and avoid overleveraged borrowers, while 360-degree control parameter mapping strengthening monitoring frameworks and improving visibility across the credit cycle. The bank is also about to launch new CBS. These investments are expected to improve customer experience, strengthen risk controls and support scaling of the business over the coming years.

We have also taken steps to improve the quality of new account sourcing and to cross-sell asset products through our liability-focused general banking branches, thereby increasing product penetration per customer and improving wallet share. These actions, taken together, are designed to reduce the probability of future stress and to create a more diversified, resilient earnings base.

The bank's strategy is centered on improving productivity and operating efficiencies rather than branch expansion. Employee head count has been rationalized by around 1,700, while growth is being driven through enhanced productivity of the existing branch network, digital and technology investments. The bank is also undertaking various product and process simplification initiatives, including workflow automation, digitization of customer journeys, reduction of manual intervention and streamlining of operating processes to improve turnaround time, service quality and cost efficiency.

As we look ahead, our priorities remain clear. We intend to build on the positive momentum achieved during the last few quarters by sustaining collection performance, further improving asset quality, expanding secured lending, accelerating growth in diversified asset classes and deepening our liabilities franchise. At the same time, we'll maintain disciplined underwriting standards and a prudent approach to risk management.

We are aiming for a loan book growth of 25% to 30%, with the secured lending comprising ~55% of the portfolio, maintaining NIM of around 8% and delivering a ROE of ~15% by FY28. While sectoral headwinds and regulatory transitions may continue to influence near-term performance, we remain confident that the strategic direction we have charted will deliver a stronger, more sustainable franchise over the medium term.

FY27, in our view, is a year of rebuilding earnings strength and translating operational improvements into sustainable financial outcomes. The progress achieved during quarter 1 is encouraging because it demonstrates that the recovery process is firmly underway. We are seeing stronger disbursements, improving portfolio quality, lower fresh stress formation, better recoveries, a healthier funding mix, declining cost of funds and increasing traction across diversified businesses. Together, these indicators point toward a franchise that is emerging stronger, more balanced and better positioned for the future.

With this, let me hand over the call for the question-and-answer session. Thank you very much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have a first question from the line of Shreya Chatterjee from Ageless Capital Finance.

Shreya Chatterjee: If you could just give some color on to what would be the portfolio rundown of your JLG portfolio like going ahead in the year? Like what percent of your portfolio would be and the overall MFI portfolio also? And how much do you plan to run down the book as well?

Govind Singh: So just to mention, we have been talking in past also. I mean we have a strong belief that the JLG and overall Micro Banking has a good potential for growth also. So, our idea is to remain almost in the same range, around 25% or so, overall, if you look at JLG part over a period of next 2 to 3 years also, so, around 25% is what we expect our JLG portfolio will be.

Shreya Chatterjee: Okay. So, if you're not planning to run down much of the JLG portfolio from here on, so what would be the total overall portfolio growth for this year and the next year?

Govind Singh: So, as you mentioned, in case of JLG, and I'll also add -- we have Micro Banking business loans also. Our range will be 15% to 20% growth as far as the JLG and the Micro Banking is concerned. And we have mentioned that overall, we expect that 25% to 30% growth will be there, but JLG growth will be below 20% overall.

Shreya Chatterjee: And regard...

Sarjukumar: Just to add, I guess, maybe if you are referring to the stress that has been seen in the past in the JLG and the fact that how are we looking at that growth in this book. Two things, one, that environment, as we speak, all the disbursements are happening under the new guardrail which is to say that the behaviour of the new guardrail, the slippages are normalized. So, to that extent, the past guardrail legacy pain can be called as past.

And second, in any case, we have covered this portfolio under the CGFMU guarantee scheme for any abnormality that can come in future. And, as far as mix is concerned, and this was the planned trajectory, over couple of quarters, 8 quarters that we'll move from unsecured to secured, and we will bring the JLG or Micro Banking to one-third of the portfolio. We have already almost on track on that trajectory.

And while we grow the portfolio on total portfolio basis, I think we will continue to keep the cap around 25%, as Govind ji mentioned, but still grow this book and not thinking about running down the book as you started the question.

Shreya Chatterjee: That was helpful. And if you could just guide about what's your like guidance for the NPA and the credit cost for the rest of the year? And how much provision do you expect to build up because of that? And ultimately, apart from the NCD fundraise that you are doing, any additional fundraises that are planned in the medium term?

Sarjukumar: On the credit cost, we would be around on an upper side, being conservative, 3% to 3.5% as we go along. And on your second question, we are raising INR500 crores, but we are also repaying one of the tranche that we have of INR195 crores, which is at 12.5% coupon. We are prematurely repaying that about a year earlier. That should happen in mid of August. We have already put this formal announcement across. That should save the bank around INR20 crores as we go along.

So primarily, the idea was not to carry INR195 crores plus INR500 crores, i.e., INR700 crores into debt. And that INR195 crores, which we are repaying prematurely or making an early redemption of, had no delta on the CRAR benefit. What we are going to do now is raise NCD under Tier 2 classification that helps us to boost our CRAR. And on the back of the envelope, this INR500 crores should inch up the CRAR by around 250 basis points.

Shreya Chatterjee: Got it, sir. That was helpful. And any indications on the early stress -- early signs of stress or portfolio at risk for your new lending book that you're giving away. So the new lending book, any par numbers that you would like to share?

Amit Acharya Yes. Amit, this side. So, we do track the pre-guardrail and post-guardrail portfolio, which we have built up in the Micro Banking and JLG space. So, if you see, post-guardrail that is post 1st April 2025, if you see, majority of our outstanding book now belongs to that particular period, in JLG, in particular, and our gross NPAs are below 2%. To be precise, it hovers around 1.85% to 1.9% only.

And just to add, this book now starting mid of January '25, our JLG and our MBBL portfolio is covered under CGFMU. So, whatever NPA is coming from post April '25 disbursement book is majorly covered under CGFMU.

Sarjukumar: And probably just a point to add to that as we speak, as of June 2026, our CGFMU coverage on the portfolio was 60% for disbursements up to Q4 FY26. And if we take Q1 FY27 disbursements as well, 80% of the portfolio is covered. And this portfolio is JLG, MBBL, including BC JLG. So, 80% of the portfolio, as it stands as on June, is covered under the CGFMU guarantee scheme.

Moderator: We have our next question from the line of Sagar Shah from Spark PWM.

Sagar Shah: My first question, sir, was actually related to your MBBL portfolio. We are seeing a sharp jump, especially in the MBBL disbursement side, actually more than 100% growth. So, is this portfolio completely to the existing customers who have demonstrated good behaviour in the JLG portfolio? Or is it something like are we sourcing some new to banking customers also for these kind of loans?

Govind Singh: So currently, I think it's 99.9% portfolio of our existing customers only. We have just piloted, you can say, to open market or to new-to-bank customers. I mean, the numbers may not be even 100 or 200. So, it's primarily -- almost 100%, our existing customers with a history with us and 2 to 3 cycles have been exhausted in these cases. So, they are existing customers only.

Sagar Shah: Okay. So basically, on the underwriting front, how is it different from the normal JLG front? What sort of underwriting, different underwriting measures have we taken for this portfolio?

Virender Sharma: So primarily, this portfolio is built on the premise that it is only to the people who are having an established business activity and the credit is done by the separate underwriting team, which does the complete underwriting as is the norm in all other unsecured loan businesses. So, we have built up this business over a period of last 4 years.

The incremental business has jumped in the last 1 year after learning experience of last 3 years, which is helping us grow on this side. And our focus comes after the study of last 3-4 years on the portfolio. Additional to that, we also cover this portfolio under the CGFMU scheme. So, with a very stable collection team and as well as delinquencies being closely monitored on that front.

Sarjukumar: Now just to add, Virender, I guess, when we are doing MBBL, we are having a dedicated collection team for MBBL business as well. So, the head count that we have spoken earlier for JLG stays with JLG and as we grow, we do look at the necessity in terms of the support for the collection, and we have given collection head count to teams to ensure that MBBL has, net contribution and the business remains and the NPA remains checked.

Amit Acharya And Amit this side, just to add again, post April 2025, if you see the outstanding from this portfolio, which is close to INR2,246 crores, INR2,036 crores is post April '25. And out of that particular pool, we have only 0.3% as NPA. So, we do track whatever interventions in terms of process, underwriting standards we have done, what kind of outcome we are getting in terms of asset quality.

Sagar Shah: Okay. So now my next question was related to the asset quality. We have seen that your recoveries/upgradations are getting slower actually. We expected this quarter to be strong in terms of recoveries, but it hasn't happened. So means the NPAs that have been shown in the past actually, why is the recovery being so slow or it's non-recoverable? Is it like that way?

Sarjukumar: I guess in particular, I can say that as far as MB or JLG is concerned, almost all things are sorted. But when it comes to retail book, we have certain accumulated recoveries from SARFAESI and it is a matter of pushing that to come back. So, as we go along, when you see this legal litigation bucket where some amount is lying, yet to be recovered, you will see that unfolding in coming quarters. So that is one of the reasons where it's taking time, at least on the retail side -- the secured book side to get this encashed.

Sagar Shah: So, on the secured book, if it is getting time for what about the unsecured because every small finance bank, almost 8 on 10 small finance banks are getting stronger on recoveries, at least what the last 2 years that every bank had faced on the microfinance side. So on the microfinance side, out of the INR69 crores that you reported in this quarter, how much was it on the unsecured microfinance book?

Virender Sharma: Close to INR28 crores was from NPA pool in the Micro Banking piece.

Sagar Shah: Out of INR69 crores, INR48 crores was that?

Virender Sharma: INR28 crores.

Sagar Shah: INR28 crores. Okay. Got it. So at least you expect the recoveries to pick up in the coming quarters. Is that what your guidance is?

Virender Sharma: Quarter 1 was normally slow in terms of recoveries. But if you see, the quarter 4 was good. So, we expect to see the pickup back in the quarter 2 and quarter 3.

Sarjukumar: I just want to add one more thing and correlate it and I hope I guess you buy this is one that we had inched up our head count about 1.5 years back, obviously, to improve our collection efficiency, which for the last 5-6 months has been above 99.5%. And the head count as we added up, stands at about 1,100 only for collections, and I'm talking of JLG. I just mentioned MBBL has its own set of collection head counts that we have allocated to them.

But once 1,100 head count that is lying in JLG and as we see normalization is happening in the credit cost, we would obviously shift some of this head count for recovery of the NPA and write-offs. So, you would see some traction there in the coming quarters because, at the normalized rate of credit cost in JLG, probably, 1,100 is a bigger ask in terms of head count being there, but we will continue to hold them and deploy them for recoveries of the past NPAs and write-offs. And I guess you would see some traction there in coming quarters.

Sagar Shah: Okay. Okay. So now just one suggestion from my side. As you highlighted on the asset quality, that recoveries were taking time. So, the asset quality, if you can -- on the investor presentation, on every segment-wise asset quality, if you can mention from next quarter onwards, what was the GNPA for every segment -- so because I wanted to know what was the GNPA for MSME as on this quarter?

Sarjukumar: We will do that.

Govind Singh: Point taken. Point taken.

Sagar Shah: So, what was the GNPA as on 30th June for MSME?

Amit Acharya: It was around INR169 crores.

Sagar Shah: INR169 crores out of your INR4,482 crores.

Amit Acharya: Yes. Percentage-wise, you will see it at 3.8%. And, I just wanted to add, when Sarju said it's taking time, means there are certain cases, which are legacy cases, which has come into NPA in the last quarter itself. So now, if you have to go for SARFAESI and auction the properties and take into possession, normally, it's a process of 6 to 7 months, and that is what Sarju said.

But normally, in secured, we have seen that when we initiate the initial notices regarding the SARFAESI, majority of the cases and the customers come and pays the overdue amount. So, because these cases have come into NPA in the last quarter itself, probably in the next 2 months, majority of them should get resolved without going for actual auction. So, just wanted to add that point also.

Sagar Shah: Okay. Fine. And just last one from my side. In Utkarsh in FY28, you were saying 25% to 30% portfolio growth that you just highlighted on the guidance. So, 25% to 30% growth from FY26, right?

Govind Singh: No, we are talking about year-on-year growth of around 25% to 30%.

Sagar Shah: For FY27 also, you are eyeing 30% growth.

Govind Singh: Yes, 25% to 30%. I'm giving a range because market is also that way.

Sagar Shah: Because, in this quarter, we hardly have seen any growth, right? That is why.

Govind Singh: Because we have done write-off also and because of write-off, the portfolio goes down, which will not be reflected. So that's why I'm saying 25% to 30% is the range for this year. And our base is small right now. When I say small, I mean because we have not grown during last 2 years. So base is also small. So, 25% to 30% growth for this year and very similar type of growth we expect for next year also in the top line.

Sarjukumar: I just want to add that if you really look at Q4, which was the beginning of green shoots and the momentum has continued in Q1. So in Q4, the disbursements across was 30%, which is Q4 over previous Q4. And Q4 is the loaded volume business in the financial services sector. Generally, Q1 is lower and Q4 is up.

So, when we have a 30% disbursement growth in Q4 as we have shown, and similarly, it remains 49% again in Q1, the trajectory obviously is turning towards our internal discussions and the management target envelope, obviously, I guess, endeavor is to really pick up and H2 will be the period from the target point of view to get that 25% growth that we are aspiring.

And the engine, the operations infrastructure, head count, the new technology, we have switched over to the new LMS systems and all of those improvements are now in place. So, all that is now required is higher productivity, which is at the same cost to get the high volume is what is going to be our key focus.

Moderator: We have our next question from the line of Saurabh Jain from SSJ Finance & Securities.

Saurabh Jain: I'd like to lead my question with a few comments here. The management commentary seems to be more focused on the liability side of the balance sheet, where you are working on improving your cost of funds, increasing your deposits or so.

But as shareholders, our concern seems to be more on your asset side, the quality of your assets where we don't have enough granular information in terms of the quality of loans that you have. You still seem to be talking about growing your loan book by about 25% to 30% each year, even growing your JLG and MBBL book at probably the same rates or so rather than running it down.

What gives you this confidence that you can grow the book and continuing with a net interest margin of 8%, what gives you this confidence that you can grow the book looking at the history of the industry and even specifically with respect to Utkarsh, that you can continue to give a healthy asset side of your balance sheet?

Govind Singh: I think if you see the way we have done, and that's why we are using the word that this is a consolidation year for us. Whatever products and services we have got, we are not adding anything new. We have been doing these products for some time. And whatever experience we have gained, we have utilized those experiences. And that is the basis.

In fact, we have around 1,100 branches across. And I mean, the type of productivity we can get from these branches, we have not reached -- I mean, nowhere near optimum actually. So, if we are able to do even 70% to 80% of the capability of our branches, I think we can do much, much more than this.

Because of the experience, I can say that we are a little slow. In fact, that's why some people are asking quarter 1, the growth is lower than what maybe people have anticipated. But we'll see this growth pick up. We still have a very firm belief in JLG, yes, there have been challenges, but whatever challenges are there, I'm not trying to take shelter under the guarantee scheme, but I think guarantee scheme, whenever the stress goes beyond average, I think then, we'll get the benefit of guarantee scheme also, which was not there in the past.

So that will even out the challenges -- because of cycle, there are issues. Otherwise, we see there is potential. Actually, if you really ask me, in JLG, the way it has happened during last 4 to 5 years, people have not gone for new customers at all. So, there's a lot of potential there if we are able to do things well.

And again, we are very clear that we are not going to go out of our core geography as far as microfinance is concerned. In case I find a good potential, we'll go through partners, not through our own network. So, wherever we have got network, where we have got good experience, because people have actually not gone for new customers also. Our sense is there is a good potential and there is a good requirement also. Industry has also gone down during this period.

If you see almost 30% degrowth has happened in the industry also. So there is a potential, which we intend to see, especially in the core geography of Utkarsh.

On the other part, I think we still have a very, very small base. If I'm talking about housing, we have only INR1,000 crores. I'm talking about BBG, we are in the same range actually, the business banking group, which has huge potential. We are talking about gold loan. In Gold loan, we are around INR300 crores right now. I mean you can imagine the type of potential we are talking about.

So, I think in each and every segment where we have started, we are small in that way. And, in percentage terms, I think 30% is not a very high growth from that perspective. So, all these numbers are -- I mean, I'll not use the word achievable. These are well within reach -- when we talk about our plans for this year, 25% to 30% growth in the top line should not be a problem.

Saurabh Jain: No, my concern has not been with respect to your ability to grow your loan book. It's frankly your focus on growing your loan book is my concern itself, frankly. I mean my question really is that should you be looking at growing your loan book? Yes, obviously, linear to the industry for sure. But the quality of the loan book itself still seems to be following the same pattern as earlier periods. Please correct me on that part.

And even now when we're talking about the secured part of the book, we are talking about you looking at protection under SARFAESI and recovering money through SARFAESI, then again, which brings in certain questions on your practice of even giving secured loans as such. Can you help me dilute my concern on these fronts?

Govind Singh: No, certainly, maybe Amit can also talk about this part. But the way we have done during the collection, sometimes there may be some -- I mean periodic spurts in some of the portfolios or some of the accounts actually. But I mean, there's a properly laid down process. In fact, in secured, the challenge is that it takes a little longer time to settle. So, it remains a NPA status for some longer period. That's the only difference -- but let us accept this fact that in secured case also, the cases will go bad. It's not that the cases will not go bad in case of secured.

The process followed is a little different in that case. The yield is lower for sure. But I think the stability of portfolio is much better in case of secured. It takes a little longer time to settle whatever security we have got in some of the cases. That's the only thing that Sarju and Amit were talking about.

Moderator: We have our next question from the line of Vatsal Chheda from PhillipCapital. Vatsal, are you there? Hello, Vatsal?

We'll move on to the next question from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Sir, a few questions on the MFI book. Your total MFI NPAs are today at roughly around INR740 crores. Correct me if I'm wrong on that number. I want to know what proportion of these MFI NPAs are now covered under the CGFMU scheme? And what is the NPA provision you are carrying against these MFI NPAs? That's the first question.

Govind Singh: Give us a minute, maybe you can go to the next question by the time, we'll just get that figure.

Ashlesh Sonje: Sure, sir. Sir, and secondly, the CGFMU scheme, does it allow you to apply a lower risk weight to the covered set of loans?

Sarjukumar: Yes, it does. But there is a cap, Ashlesh. We have a benefit, obviously, to the extent of the claim that is eligible, which is 72.75%. And in addition to that, we have a cap of 15% on the total disbursements made, which is obviously under the regulatory terminology called crystallized portfolio.

On that 15%, we can apply zero risk weightage. I guess the benefit is simply given because on one hand, we have a premium, which goes to our cost. And on the other hand, we have the coverage. So, the benefits under the RBI norms are twofold. One is provisioning and other is zero risk weightage. But as I said, it is capped. It's not on the total portfolio.

Ashlesh Sonje: Okay, Sarju sir.

Amit Acharya: Just to answer your question. So, under JLG and MBBL products together, if you see around INR170 crores is the gross NPA amount, which is covered under CGFMU. And on this, if you see, lifetime provisioning required is INR46 crores as per the CGFMU guidelines. Out of that, already ~INR29 crores has been provided. So, only INR17 crores is something which will come as a bucket movement every quarter.

Ashlesh Sonje: Okay. Sir, just trying to understand the numbers. INR170 crores out of that INR740 crores is already covered under CGFMU. Okay. So INR570 crores is not covered. How much provisions -- NPA provisions are you carrying against this MFI NPAs which are not under CGFMU right now? I'm just trying to understand what is the provision requirement you have on the existing MFI space?

Amit Acharya: So, let me try to answer this by splitting it into before April and after April 2025. So, if you see, before 1st of April 2025, we had gross NPA of ~INR656 crores. And out of that, already INR430 crores has been provided. So, the PCR comes close to 66% and post April '25, the total NPA is ~INR80 crores, which is the recent one. Out of that, already provided is INR15 crores. And between these, because we started CGFMU somewhere in mid of January '25, that is where this number comes to INR170 crores because certain NPAs are also from the portfolio built up between January '25 and March end '25.

Ashlesh Sonje: Understood, sir. This clarifies. Sir, just going back to the risk weight question. Sarju, sir, if I were to simply add INR100 of MFI book incrementally going forward, what would be the risk weight assigned to that book?

Sarjukumar: Out of the INR100, on the INR15, you will assign zero risk weight.

Ashlesh Sonje: Okay. So INR85, you will still assign a risk weight.

Sarjukumar: Yes, that's right.

Ashlesh Sonje: Understood, sir. Sir, and secondly, the -- can you also split the non-MFI NPAs? I think the total number is around INR420 crores. If you can give a breakup of non-MFI NPAs across segments like CV and MSME. In rupees is also fine for us.

Amit Acharya: Yes, non-MFI is INR425 crores.

Ashlesh Sonje: Sir, I want to know what's the breakup of that INR425 crores across MSME, wheels and so on.

Amit Acharya: Okay. So out of that INR425 crores, MSME is INR169 crores, CV&CE is INR62 crores, WSL is ~INR30 crores and housing loan is another close to INR49-50 crores.

Ashlesh Sonje: Understood, sir. Sir, and lastly, if you can share any update on your capital issuance plans? And also one more -- sorry, one more data keeping question, if you can split the -- if you can give us the microfinance slippages for this quarter? Those are all the question I had.

Sarjukumar: The total provision that has gone into my P&L for quarter is INR109 crores, out of which Micro Banking is ~INR45 crores and non-Micro Banking is ~INR64 crores.

Ashlesh Sonje: Sorry, sir, slippages, if you can share, MFI slippages.

Amit Acharya: So, for Micro Banking, slippages for this quarter stood at INR68 crores as compared to INR153 crores of quarter 4.

Ashlesh Sonje: Perfect. And last one was on the capital raising plan, equity.

Sarjukumar: Yes. So, we just mentioned about raising INR500 crores of Tier 2 NCD. And I did mention that, on the back of the envelope, give us about 250 basis point of incremental CRAR. And with the trajectory, as we spoke about, in terms of profitable year and clawback of profits, there would otherwise be no capital equity raise that we anticipate, at least till the end of FY27.

Moderator: We have our next question from the line of Henil Shah, an individual investor.

Henil Shah: Hello, sir. Am I audible?

Govind Singh: Yes, sir. Please go ahead.

Henil Shah: Sir, any guidance on FY27 ROA or credit cost?

Sarjukumar: We have given a guidance for FY28, which is a 15% ROE, with a path to profitability through FY27 because that has to be the first milestone delivery. We are looking at around 2-digit upwards ROE by the exit of FY27, which builds the case for ROE for the FY28.

Henil Shah: Okay, sir. And one more question, sir, our operating profit is not rising. The growth in operating profit is very slow. So, can you please throw some light on it?

Sarjukumar: Yes. You're right. I guess if you really look at the trend from where we were, and that's what we say, the consolidation and the bouncing back story began with a negative PPOP of around INR44 crores in December to a positive of INR12 crores in the March quarter. We are at INR64 crores this quarter, which is fivefold of Q4, signifying that the disbursements, which are the core input that builds up the portfolio, that builds up the income accruing AUM. That trajectory is visible over the last 2 quarters.

And as we go along, disbursements and portfolio will continue to build up, with completely normalized credit cost, there will be lesser reversals that were an event last year. So, we'll have a steady-state AUM to accrue income in a normalized fashion as growth builds up in coming quarters, with added cost of funds advantage in terms of almost ~40 basis point benefit accrued. Our peak rate of retail term deposits at a point in time for senior citizens was 9.1%, which is 8.25% today and the peak deposit card rate for general citizens, which was 8.5% is now 8.1%. As we grow in our deposits and the new maturity gets into at the lower card rate, we continue to see benefits in the cost of funds.

The third line, and this is relevant because it will come back to the path to profitability, is that other income is also an element of disbursements, loan processing fees will go up as the disbursements grow. So, in correlation, I guess, the other income will again stabilize.

And then, at the same cost, which one of our investors asked about before you, with no expansion plans, it's a matter of getting the higher income and higher productivity, which will lead to incremental PPOP growth from wherever we are today. And, as we just mentioned to your previous question that if we are exiting FY27 Q4 with a ROE of, say, around 2 digits, that probably would be imply a very decent PPOP. That's the envelope in terms of the trajectory we are looking forward.

Henil Shah: And may I ask one more question if you permit?

Govind Singh: Yes, go ahead, sir.

Henil Shah: Okay. So, sir, how do -- mean that is -- you are saying that we have already enough infrastructure. So, cost-to-income ratio will not rise over the next 2 years, even if we grow every year 30%, right? That is right?

Sarjukumar: So, I guess, again, a little relevance, and thank you for asking this question because cost to income actually looks elevated because the income, which is the denominator, has contracted over the last year. Once income comes back and all that we said is about getting the income, and the top line growth while keeping costs static, you will see the cost-to-income ratio reasonably improve as we exit FY27.

Henil Shah: Okay. Okay, sir. And do we intend to grow MFI space or we will stay here on loan book over the 2 years?

Govind Singh: No, no. I think, as I mentioned, we understand the JLG business. So, I mean, our ratio is very low right now, we are around 25%, but we will continue with microfinance to that extent, sir.

Moderator: As there are no further questions, I now hand the conference over to the management for closing comments.

Govind Singh: Thank you, ICICI team, for hosting this call, and thanks, every investor for your queries, questions and interest in the company. As you mentioned, I think worst is behind us, and we can see next few quarters are going to be really good quarters and better in all the parameters, all the KPIs that we talk of. So once again, thank you very much for your support and guidance all these years. Thank you.

Moderator: Thank you, sir. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.